

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

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FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 1715

INFO AMCONSUL ADANA

AMCONSUL ISTANBUL

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E.O.11652: GDS

TAGS: EFIN, TU

SUBJECT: CONTINUING RUMORS OF DEVALUATION OF TURKISH LIRA

REF: ANKARA 8910

1. AFTER A BRIEF HIATUS, THE TURKISH PRESS HAS AGAIN RESURRECTED RUMOR THAT MAJOR DEVALUATION OF TURKISH LIRA IS IMMINANT.

"AYRINTILI HABER", A TURKISH DAILY FEATURING INSIDE ECONOMIC

INFORMATION, REPORTED DECEMBER 18 THAT AS RESULT OF IMF PRESSURE TURKISH LIRA WILL BE DEVALUED SOON. ARTICLE STATES IMF HAS SUG-

GESTED THREE ALTERNATIVES; 20 PERCENT DEVALUATION TO TL 18 TO \$1, 33 PERCENT DEVALUATION TO TL 20 TO \$1 OR 46 PERCENT DEVALUATION TO TL 22 TO \$1.

2. PAPER POINTS OUT CONTINUING DETERIORATION IN TURKISH FOREIGN EX-
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CHANGE RESERVES WHICH HAVE FALLEN BELOW \$1 BILLION. 1975 TRADE

DEFICIT OF 3.25 BILLION HAS ONLY BEEN PARTIALLY COVERED BY WORKER REMITTANCES OF \$1.3 BILLION AND NET CAPITAL INFLOWS OF \$400 MILLION. REMAINING DEFICIT HAS BEEN FINANCED BY NEARLY \$1000 IN SHORT-TERM EURO CURRENCY FLOWS ("CONVERTIBLE LIRA DEPOSITS"), \$335 MILLION (SIC) FROM IMF AND REST FROM RESERVES. PAPER QUOTING SOURCES AT CENTRAL BANK CLAIMS IMF WILL MAKE NO FURTHER LOANS UNLESS GOT DEVALUES. SOURCES ADMIT TURKEY WOULD PREFER TO ADJUST VALUE OF CURRECNY IN STAGES, AS WAS DONE UP UNTIL AUGUST 28, 1975 (TL HAS

BEEN EFFECTIVELY DEVALUED BY ROUGHLY 13 PERCENT ON TRADE-WEIGHTED BASIS BETWEEN AUGUST 74 - AUGUST 75) RATHER THAN LARGE-SCALE DEVALUATION AT THIS TIME.

3. COMMENT: ATTENTION GIVEN BY PRESS AGAIN TO RUMOR OF DEVALUATION AND REFERENCES TO RECOMMENDATIONS PURPORTEDLY MADE BY IMF WILL UNDOUBTEDLY STIMULATE BUSINESS AND PRIVATE INTERESTS TO TAKE FURTHER SPECULATIVE ACTIONS (WITHIN THE LIMITS PERMITTED BY TURKISH EXCHANGE CONTROLS) TO PROTECT OR TO BENEFIT THEIR INTERESTS IN THE EVENT OF A DEVALUATION. SUCH ACTIONS HOWEVER, INEVITABLY, WOULD TEND TO PUT FUTHER PRESSURE ON TURKEY'S PRECARIOUS FOREIGN EXCHANGE SITUATION. NEVERTHELESS, IN TURKISH'S PRESENT DELI-

CATELY BALANCED POLITICAL SITUATION, A DECISION FOR ANY SIGNIFICANT DEVALUATION WOULD CARRY DEFINITE RISKS FOR THE PRESENT GOVERNMENT. IT IS NOT REPEAT NOT CLEAR THAT THE DEMIREL GOVERNMENT IS READY TO FACE SUCH RISKS. BEYOND THIS, GOT OFFICIALS FOR REASONS REPORTED PARAGRAPH 4 REFTEL CONTINUE TO ASSERT THAT SIGNIFICANT DEVALUATION IS NOT REPEAT NOT NECESSARY AS IT WILL NOT SUBSTANTIALLY BENEFIT IMPORT OR EXPORT FOREIGN EXCHANGE ACCOUNTS.
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